# Sotherly Hotels Inc. Reports Financial Results for the Second Quarter Ended June 30, 2016

Company Release – August 9, 2016 9:00 AM EST

WILLIAMSBURG, Va., Aug. 09, 2016 (GLOBE NEWSWIRE) -- Sotherly Hotels Inc. (NASDAQ:SOHO), ("Sotherly" or the "Company"), a self-managed and self-administered lodging real estate investment trust (a "REIT"), today reported its consolidated results for the second quarter ended June 30, 2016. The Company's results include the following*:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | ($ in thousands except per share data) | | ($ in thousands except per share data) | |
| Total Revenue | $ 41,825 | $ 36,865 | $ 79,635 | $ 67,841 |
| Net income attributable to the Company | 1,761 | 1,431 | 2,244 | 2,006 |
| EBITDA and Adjusted EBITDA | 11,136 | 10,780 | 20,178 | 17,996 |
| Hotel EBITDA | 12,508 | 11,898 | 22,568 | 19,713 |
| FFO | 5,919 | 5,137 | 10,134 | 8,867 |
| Adjusted FFO | 6,515 | 6,741 | 10,293 | 9,974 |
| Net income per share attributable to the Company | $ 0.12 | $ 0.13 | $ 0.19 | $ 0.19 |
| FFO per share and unit | $ 0.35 | $ 0.39 | $ 0.61 | $ 0.68 |
| Adjusted FFO per share and unit | $ 0.39 | $ 0.52 | $ 0.62 | $ 0.76 |

(*) Earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, hotel EBITDA, funds from operations ("FFO"), adjusted FFO, FFO per share and unit and adjusted FFO per share and unit are non-GAAP financial measures. See further discussion of these non-GAAP measures, including definitions related thereto, and reconciliations to net income (loss) later in this press release. All references in this release to the "Company," "Sotherly," "we," "us," and "our" refer to Sotherly Hotels Inc., its operating partnership and its subsidiaries and predecessors, unless the context otherwise requires or where otherwise indicated.

## HIGHLIGHTS:

- **RevPAR.** Room revenue per available room ("RevPAR") for the Company's wholly-owned properties during the second quarter 2016 increased 1.7% over the second quarter 2015 to $109.16 driven by a 0.8% increase in occupancy and a 0.9% increase in average daily rate ("ADR"). Excluding the performance of our Jeffersonville, Indiana property over the weekend of the Kentucky Derby, RevPAR for the Company's wholly-owned properties during the second quarter 2016 increased 6.5% over the second quarter 2015 driven by a similar increase in occupancy and a 5.6% increase in ADR. For the six month period ending June 30, 2016, RevPAR increased 7.0% over the six months ended June 30, 2015, to $104.44 driven by a 0.5% increase in occupancy and a 6.3% increase in ADR. Excluding the performance of our Jeffersonville, Indiana property over the weekend of the Kentucky Derby, RevPAR for the Company's wholly-owned properties for the six month period ending June 30, 2016, increased 9.7% over the six months ended June 30, 2015.

- **Common Dividends.** As previously reported on July 26, 2016, the Company announced its quarterly dividend (distribution) on its common stock (and units) at $0.095 per share (and unit) to be paid on October 11, 2016 to stockholders (and unitholders) of record as of September 15, 2016.

- **Hotel EBITDA.** The Company generated hotel EBITDA of approximately $12.5 million during the second quarter 2016, an increase of 5.1%, or approximately $0.6 million, over the second quarter 2015. Excluding the performance of our Jeffersonville, Indiana property over the weekend of the Kentucky Derby, hotel EBITDA for the second quarter 2016 increased 15.1%, or approximately $1.5 million, over the second quarter 2015. For the six month period ending June 30, 2016, hotel EBITDA increased 14.5%, or approximately $2.9 million, over the six months ended June 30, 2015. Excluding the performance of our Jeffersonville, Indiana property over the weekend of the Kentucky Derby, hotel EBITDA for the six month period ending June 30, 2016 increased 20.9% over the six months ended June 30, 2015.

- **Adjusted EBITDA.** The Company generated adjusted EBITDA of approximately $11.1 million during the second quarter 2016, an increase of 3.3%, or approximately $0.4 million, over the second quarter 2015. Excluding the performance of our Jeffersonville, Indiana property over the weekend of the Kentucky Derby, adjusted EBITDA for the second quarter 2016 increased 14.0%, or approximately $1.3 million, over the second quarter 2015. For the six month period ending June 30, 2016 adjusted EBITDA increased 12.1% or approximately $2.2 million over the six months ended June 30, 2015.

- **Adjusted FFO.** The Company generated adjusted FFO of approximately $6.5 million during the second quarter 2016, a decrease of 3.3% or approximately $0.2 million over the second quarter 2015.

Andrew M. Sims, Chairman and Chief Executive Officer of Sotherly Hotels Inc., commented, "Generally, our portfolio performed as expected. The exception was our Sheraton Louisville Riverside hotel, which suffered a significant reduction in quarterly ADR, RevPAR, and hotel EBITDA as a result of a change in policy by the franchisor, Starwood Hotels and Resorts, regarding its frequent traveler reimbursements for the Kentucky Derby weekend. Unfortunately, the Company has no control over the policy change and was compelled to comply. The balance of the portfolio produced solid results including a 6.5% increase in RevPAR."

**Balance Sheet/Liquidity**

At June 30, 2016, the Company had approximately $30.6 million of available cash and cash equivalents, of which approximately $4.5 million was reserved for real estate taxes, insurance, capital improvements and certain other expenses or otherwise restricted. The Company had approximately $334.1 million in outstanding debt at a weighted average interest rate of approximately 5.08%.

On June 30, 2016, the Company entered into a loan agreement and other loan documents, including a guaranty of payment by the Operating Partnership, to secure a $19.0 million mortgage on the Crowne Plaza Tampa Westshore with Fifth Third Bank. Pursuant to the loan documents, the mortgage loan: provides initial proceeds of $15.7 million, with an additional $3.3 million available upon the satisfaction of certain conditions; has an initial term of three years, and may be extended for two additional periods of one year each, subject to certain conditions; bears a floating interest rate of the 30-day LIBOR plus 3.75%, subject to a floor rate of 3.75%; amortizes on a 25-year schedule; and is guaranteed by Sotherly Hotels LP. The Company used the proceeds to repay the existing first mortgage on the hotel and to pay closing costs, and will use the balance of the proceeds for general corporate purposes.

On June 27, 2016, the Company entered into a promissory note and other loan documents to secure a $35.0 million mortgage on the Hilton Savannah DeSoto with MONY Life Insurance Company. Pursuant to the loan documents, the mortgage loan: provides initial proceeds of $30.0 million, with an additional $5.0 million available upon the satisfaction of certain conditions, namely, the completion of a renovation project; has a maturity date of July 1, 2026; carries a fixed interest rate of 4.25%; amortizes on a 25-year schedule after a 1-year interest-only period; and is subject to a prepayment premium. The Company used.

the proceeds to repay the existing first mortgage on the hotel and to pay closing costs, and will use the balance of the proceeds to fund ongoing renovations at the hotel and for general corporate purposes.

## Portfolio Update

At the Company's hotel in Atlanta, Georgia, an estimated $7.0 million guestroom renovation is substantially complete. As of June 30, 2016, the Company had incurred costs totaling approximately $6.7 million toward this renovation. On September 24, 2015, the hotel became The Georgian Terrace by Sotherly, the first signature property of our premier boutique collection.

In April 2016, the Company converted the Houston, Texas property to The Whitehall by Sotherly Hotels, an independent hotel and member of Preferred Hotels & Resorts.

At the Company's hotel in Savannah, Georgia, renovations of the guestrooms and public spaces totaling an estimated $8.1 million are underway. As of June 30, 2016, the Company had incurred costs totaling approximately $2.8 million toward this renovation. Renovations are expected to be complete in August 2017.

On April 29, 2016, we entered into an agreement to sell the Crowne Plaza Hampton Marina to Three Capital Hotels, Inc. for a price of $5.8 million. The Company intends to use the proceeds from the sale of the hotel to repay the existing first mortgage on the hotel and for general corporate purposes. The closing of the sale, which we expect to occur in August 2016, is subject to various customary closing conditions.

## 2016 Outlook

The Company is updating its previously issued guidance for 2016, accounting for current and expected performance within its portfolio, taking into account the impact of recent repositioning of the Company's assets in Laurel, Maryland and Jacksonville, Florida, continued market weakness in Houston, Texas where the Company's hotel was recently repositioned, as well as the financial performance of the Company's hotel in Jeffersonville, Indiana over the Kentucky Derby weekend, which was negatively impacted by Starwood's change in policy regarding its frequent traveler reimbursements. The guidance is predicated on estimates of occupancy and ADR that are consistent with the most recent 2016 calendar year forecasts by Smith Travel Research for the market segments in which the Company operates.

The table below reflects the Company's projections, within a range, of various financial measures for 2016, in thousands of dollars, except per share and RevPAR data:

| | Prior 2016 Guidance | | Revised 2016 Guidance | |
|---|---|---|---|---|
| | Low Range | High Range | Low Range | High Range |
| Total revenue | $ 151,626 | $ 154,290 | $ 151,136 | $ 153,865 |
| Net income | 5,017 | 6,054 | 4,264 | 5,681 |
| EBITDA | 39,135 | 40,472 | 37,714 | 39,211 |
| Adjusted EBITDA | 39,135 | 40,472 | 37,714 | 39,211 |
| Hotel EBITDA | 44,685 | 45,722 | 43,264 | 44,461 |
| FFO | 20,017 | 21,054 | 19,264 | 20,681 |
| Adjusted FFO | 20,241 | 21,578 | 19,235 | 20,572 |
| Net income per share attributable to the Company | $ 0.30 | $ 0.36 | $ 0.25 | $ 0.34 |
| FFO per share and unit | $ 1.20 | $ 1.26 | $ 1.15 | $ 1.24 |
| Adjusted FFO per share and unit | $ 1.21 | $ 1.29 | $ 1.15 | $ 1.23 |
| Rev PAR | $ 102.00 | $ 104.00 | $ 101.49 | $ 103.33 |
| Hotel EBITDA margin | 29.5% | 29.6% | 28.6% | 28.9% |

## Earnings Call/Webcast

The Company will conduct its second quarter 2016 conference call for investors and other interested parties at 10:00 a.m. Eastern Time on Tuesday, August 9, 2016. The conference call will be accessible by telephone and through the Internet. Interested individuals are invited to listen to the call by telephone at 888-339-0107 (United States) or 855-669-9657 (Canada) or +1 412-902-4188 (International). To participate on the webcast, log on to www.sotherlyhotels.com at least 15 minutes before the call to download the necessary software. For those unable to listen to the call live, a taped rebroadcast will be available beginning one hour after completion of the live call on August 9, 2016 through August 8, 2017. To access the rebroadcast, dial 877-344-7529 and enter conference number 10086526. A replay of the call also will be available on the Internet at www.sotherlyhotels.com until August 8, 2017.

## About Sotherly Hotels Inc.

Sotherly Hotels Inc. is a self-managed and self-administered lodging REIT focused on the acquisition, renovation, upbranding and repositioning of upscale to upper-upscale full-service hotels in the Southern United States. Currently, the Company's portfolio consists of investments in twelve hotel properties, comprising 3,011 rooms. Most of the Company's

properties operate under the Hilton Worldwide, InterContinental Hotels Group and Starwood Hotels Resorts brands. Sotherly Hotels Inc. was organized in 2004 and is headquartered in Williamsburg, Virginia. For more information please visit www.sotherlyhotels.com.

**Forward-Looking Statements**

This news release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although the Company believes that the expectations and assumptions reflected in the forward-looking statements are reasonable, these statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict and many of which are beyond the Company's control. Therefore, actual outcomes and results may differ materially from what is expressed, forecasted or implied in such forward-looking statements. Factors which could have a material adverse effect on the Company's future results, performance and achievements, include, but are not limited to: national and local economic and business conditions that affect occupancy rates and revenues at the Company's hotels and the demand for hotel products and services; risks associated with the hotel industry, including competition, increases in wages, energy costs and other operating costs; the magnitude and sustainability of the economic recovery in the hospitality industry and in the markets in which the Company operates; the availability and terms of financing and capital and the general volatility of the securities markets; risks associated with the level of the Company's indebtedness and its ability to meet covenants in its debt agreements and, if necessary, to refinance or seek an extension of the maturity of such indebtedness or modify such debt agreements; management and performance of the Company's hotels; risks associated with maintaining our system of internal controls; risks associated with the conflicts of interest of the Company's officers and directors; risks associated with redevelopment and repositioning projects, including delays and cost overruns; supply and demand for hotel rooms in the Company's current and proposed market areas; risks associated with our ability to maintain our franchise agreements with our third party franchisors; the Company's ability to acquire additional properties and the risk that potential acquisitions may not perform in accordance with expectations; the Company's ability to successfully expand into new markets; legislative/regulatory changes, including changes to laws governing taxation of REITs; the Company's ability to maintain its qualification as a REIT; and the Company's ability to maintain adequate insurance coverage. These risks and uncertainties are described in greater detail under "Risk Factors" in the Company's Annual Report on Form 10-K and subsequent reports filed with the Securities and Exchange Commission. The Company undertakes no obligation to and does not intend to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Although the Company believes its

current expectations to be based upon reasonable assumptions, it can give no assurance that its expectations will be attained or that actual results will not differ materially.

Financial Tables Follow...

## SOTHERLY HOTELS INC.
## CONSOLIDATED BALANCE SHEETS

| | June 30, 2016 (unaudited) | December 31, 2015 |
|---|---|---|
| ASSETS | | |
| Investment in hotel properties, net | $350,464,184 | $354,963,242 |
| Investment in hotel properties held for sale, net | 5,504,696 | — |
| Cash and cash equivalents | 26,085,488 | 11,493,914 |
| Restricted cash | 4,484,016 | 5,793,840 |
| Accounts receivable, net | 4,064,322 | 4,071,175 |
| Accounts receivable-affiliate | 210,618 | 226,552 |
| Loan proceeds receivable | — | 2,600,711 |
| Prepaid expenses, inventory and other assets | 5,039,136 | 4,432,432 |
| Deferred income taxes | 5,397,989 | 5,390,374 |
| TOTAL ASSETS | $401,250,449 | $388,972,240 |
| LIABILITIES | | |
| Mortgage loans, net | $279,454,808 | $270,331,724 |
| Unsecured notes, net | 50,830,408 | 50,460,106 |
| Accounts payable and accrued expenses | 14,605,689 | 12,334,879 |
| Advance deposits | 2,197,892 | 1,651,840 |
| Dividends and distributions payable | 1,505,501 | 1,335,323 |
| TOTAL LIABILITIES | $348,594,298 | $336,113,872 |
| Commitments and contingencies (See Note 5) | — | — |
| EQUITY | | |
| Sotherly Hotels Inc. stockholders' equity | | |
| Preferred stock, par value $0.01, 972,350 shares authorized, 0 shares issued and outstanding | — | — |
| Common stock, par value $0.01, 49,000,000 shares authorized, 14,949,651 shares and 14,490,714 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively | 149,496 | 144,907 |
| Additional paid in capital | 83,796,667 | 82,749,058 |
| Distributions in excess of retained earnings | (34,262,825) | (33,890,834) |
| Total Sotherly Hotels Inc. stockholders' equity | 49,683,338 | 49,003,131 |
| Noncontrolling interest | 2,972,813 | 3,855,237 |
| TOTAL EQUITY | 52,656,151 | 52,858,368 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | $401,250,449 | $388,972,240 |

# SOTHERLY HOTELS INC.
# CONSOLIDATED STATEMENTS OF OPERATIONS
# (unaudited)

| | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| REVENUE | | | | |
| Rooms department | $ 29,909,287 | $ 26,351,371 | $ 57,231,700 | $ 47,687,785 |
| Food and beverage department | 9,578,410 | 8,605,316 | 17,828,089 | 16,332,123 |
| Other operating departments | 2,337,257 | 1,908,421 | 4,575,309 | 3,820,830 |
| Total revenue | 41,824,954 | 36,865,108 | 79,635,098 | 67,840,738 |
| EXPENSES | | | | |
| Hotel operating expenses | | | | |
| Rooms department | 7,599,209 | 6,498,077 | 14,679,842 | 12,341,017 |
| Food and beverage department | 6,490,681 | 5,700,236 | 12,430,542 | 11,105,621 |
| Other operating departments | 644,430 | 362,987 | 1,238,399 | 701,166 |
| Indirect | 14,613,064 | 12,332,869 | 28,748,658 | 23,801,212 |
| Total hotel operating expenses | 29,347,384 | 24,894,169 | 57,097,441 | 47,949,016 |
| Depreciation and amortization | 3,801,478 | 3,304,906 | 7,470,115 | 6,209,297 |
| Corporate general and administrative | 1,356,754 | 1,490,380 | 2,964,048 | 2,941,604 |
| Total operating expenses | 34,505,616 | 29,689,455 | 67,531,604 | 57,099,917 |
| NET OPERATING INCOME | 7,319,338 | 7,175,653 | 12,103,494 | 10,740,821 |
| Other income (expense) | | | | |
| Interest expense | (4,613,165) | (3,840,435) | (9,245,797) | (7,614,970) |
| Interest income | 10,207 | 15,308 | 19,038 | 25,409 |
| Equity income in joint venture | — | 24,368 | — | 498,717 |
| Loss on early debt extinguishment | (70,293) | (698,083) | (70,293) | (698,083) |
| Loss on disposal of assets | (140,193) | — | (140,193) | — |
| Unrealized loss on hedging activities | (15,517) | — | (66,074) | — |
| Gain on involuntary conversion of asset | — | 37,833 | — | 37,833 |
| Net income before income taxes | 2,490,377 | 2,714,644 | 2,600,175 | 2,989,727 |
| Income tax provision | (512,827) | (955,535) | (76,747) | (516,760) |
| Net income | 1,977,550 | 1,759,109 | 2,523,428 | 2,472,967 |
| Less: Net income attributable to the noncontrolling interest | (216,444) | (327,999) | (279,223) | (466,523) |
| Net income attributable to the Company | $ 1,761,106 | $ 1,431,110 | $ 2,244,205 | $ 2,006,444 |
| Net income per share attributable to the Company | | | | |
| Basic and diluted | $ 0.12 | $ 0.13 | $ 0.15 | $ 0.19 |
| Weighted average number of shares outstanding | | | | |
| Basic and diluted | 14,949,651 | 10,768,730 | 14,871,281 | 10,682,743 |

## SOTHERLY HOTELS INC.
## KEY OPERATING METRICS
## (unaudited)

The following tables illustrate the key operating metrics for the three and six months ended June 30, 2016 and 2015, respectively, for the Company's wholly-owned properties during each respective reporting period ("actual" portfolio metrics), as well as the eleven wholly-owned properties in the portfolio that were under the Company's control during the three and six months ended June 30, 2016 and the corresponding period in 2015 ("same-store" portfolio metrics). Accordingly, the same-store data does not reflect the performance of the Crowne Plaza Hollywood Beach Resort, which was acquired through a joint venture in August 2007 and in which the Company had a 25.0% indirect interest during each respective reporting period prior to its acquisition of the remaining 75.0% interest in July 2015.

| | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Actual Portfolio Metrics | | | | |
| Occupancy % | 76.0% | 75.4% | 72.3% | 71.9% |
| ADR | $ 143.65 | $ 142.41 | $ 144.47 | $ 135.91 |
| RevPAR | $ 109.16 | $ 107.33 | $ 104.44 | $ 97.65 |
| Same-Store Portfolio Metrics | | | | |
| Occupancy % | 75.8% | 74.5% | 71.0% | 71.9% |
| ADR | $ 141.17 | $ 139.48 | $ 137.66 | $ 135.91 |
| RevPAR | $ 106.95 | $ 103.92 | $ 97.78 | $ 97.65 |

## SOTHERLY HOTELS INC.
## SUPPLEMENTAL DATA
## (unaudited)

The following tables illustrate the key operating metrics for the three and six months ended June 30, 2016, 2015 and 2014, respectively, for each of the Company's wholly-owned properties during each respective reporting period, irrespective of ownership percentage during any period.

## Occupancy

| | Q2 2016 YTD | Q2 2015 YTD | Q2 2014 YTD |
|---|---|---|---|
| Crowne Plaza Hampton Marina | | | |
| Hampton, Virginia | 65.8% | 62.2% | 55.7% |
| | 56.3% | 51.5% | 47.9% |
| Crowne Plaza Hollywood Beach Resort* | | | |
| Hollywood, Florida | 78.0% | 82.0% | 83.1% |
| | 83.3% | 84.7% | 86.3% |
| Crowne Plaza Tampa Westshore | | | |
| Tampa, Florida | 79.9% | 75.4% | 71.4% |
| | 81.8% | 78.9% | 78.4% |
| DoubleTree by Hilton Jacksonville Riverfront | | | |
| Jacksonville, Florida | 81.7% | 68.5% | 72.9% |
| | 79.3% | 69.4% | 69.4% |
| DoubleTree by Hilton Laurel | | | |
| Laurel, Maryland | 80.0% | 59.5% | 74.7% |
| | 62.3% | 53.5% | 62.7% |
| DoubleTree by Hilton Philadelphia Airport | | | |
| Philadelphia, Pennsylvania | 85.6% | 84.4% | 82.3% |
| | 79.3% | 82.2% | 80.8% |
| DoubleTree by Hilton Raleigh Brownstone – University | | | |
| Raleigh, North Carolina | 75.4% | 78.2% | 77.3% |
| | 72.4% | 74.5% | 75.2% |
| The Georgian Terrace *† | | | |
| Atlanta, Georgia | 74.3% | 74.6% | 82.3% |
| | 72.3% | 71.3% | 82.0% |
| Hilton Savannah DeSoto † | | | |
| Savannah, Georgia | 77.8% | 85.9% | 83.8% |
| | 76.2% | 80.1% | 77.0% |
| Hilton Wilmington Riverside | | | |
| Wilmington, North Carolina | 83.2% | 80.7% | 82.8% |
| | 70.9% | 70.5% | 69.2% |
| Sheraton Louisville Riverside | | | |
| Jeffersonville, Indiana | 75.1% | 77.7% | 74.8% |
| | 63.1% | 70.0% | 67.3% |
| The Whitehall | | | |
| Houston, Texas | 48.9% | 74.6% | 79.1% |
| | 56.9% | 77.3% | 79.3% |
| All properties weighted average* | 76.0% | 76.0% | 77.7% |
| | 72.3% | 73.2% | 74.4% |

*Includes periods of non-ownership/partial ownership.
†Property undergoing renovation during the current quarter.

## ADR

| | Q2 2016 YTD | Q2 2015 YTD | Q2 2014 YTD |
|---|---|---|---|
| Crowne Plaza Hampton Marina | | | |
| Hampton, Virginia | $ 106.02 | $ 100.59 | $ 105.38 |
| | $ 96.44 | $ 93.38 | $ 95.50 |
| Crowne Plaza Hollywood Beach Resort* | | | |
| Hollywood, Florida | $ 164.60 | $ 161.28 | $ 149.91 |
| | $ 194.85 | $ 199.69 | $ 179.69 |
| Crowne Plaza Tampa Westshore | | | |
| Tampa, Florida | $ 112.51 | $ 110.52 | $ 107.04 |
| | $ 121.92 | $ 116.74 | $ 111.09 |
| DoubleTree by Hilton Jacksonville Riverfront | | | |
| Jacksonville, Florida | $ 123.12 | $ 107.21 | $ 98.96 |
| | $ 122.79 | $ 106.63 | $ 98.26 |
| DoubleTree by Hilton Laurel | | | |
| Laurel, Maryland | $ 108.41 | $ 102.22 | $ 94.96 |
| | $ 105.43 | $ 95.83 | $ 92.27 |
| DoubleTree by Hilton Philadelphia Airport | | | |
| Philadelphia, Pennsylvania | $ 153.11 | $ 153.70 | $ 141.84 |
| | $ 138.73 | $ 136.21 | $ 134.01 |
| DoubleTree by Hilton Raleigh Brownstone – University | | | |
| Raleigh, North Carolina | $ 136.50 | $ 133.01 | $ 124.23 |
| | $ 135.72 | $ 130.83 | $ 122.03 |
| The Georgian Terrace *† | | | |
| Atlanta, Georgia | $ 156.95 | $ 148.45 | $ 132.01 |
| | $ 158.69 | $ 154.92 | $ 133.24 |
| Hilton Savannah DeSoto † | | | |
| Savannah, Georgia | $ 166.42 | $ 164.69 | $ 158.87 |
| | $ 161.98 | $ 158.92 | $ 151.16 |
| Hilton Wilmington Riverside | | | |
| Wilmington, North Carolina | $ 158.03 | $ 147.10 | $ 150.98 |
| | $ 145.67 | $ 136.54 | $ 140.78 |
| Sheraton Louisville Riverside | | | |
| Jeffersonville, Indiana | $ 160.36 | $ 234.72 | $ 207.21 |
| | $ 152.57 | $ 194.24 | $ 173.08 |
| The Whitehall | | | |
| Houston, Texas | $ 149.63 | $ 142.20 | $ 144.03 |
| | $ 149.50 | $ 144.54 | $ 143.43 |
| All properties weighted average* | $ 143.63 | $ 142.45 | $ 134.74 |
| | $ 143.26 | $ 140.96 | $ 132.78 |

*Includes periods of non-ownership/partial ownership.
†Property undergoing renovation during the current quarter.

## RevPAR

| | Q2 2016 YTD | Q2 2015 YTD | Q2 2014 YTD |
|---|---|---|---|
| Crowne Plaza Hampton Marina | | | |
| Hampton, Virginia | $ 69.80 | $ 62.54 | $ 58.74 |
| | $ 54.26 | $ 48.11 | $ 45.74 |
| Crowne Plaza Hollywood Beach Resort* | | | |
| Hollywood, Florida | $ 128.35 | $ 133.54 | $ 124.56 |
| | $ 162.23 | $ 169.15 | $ 155.13 |
| Crowne Plaza Tampa Westshore | | | |
| Tampa, Florida | $ 89.94 | $ 83.29 | $ 76.44 |
| | $ 99.76 | $ 92.07 | $ 87.14 |
| DoubleTree by Hilton Jacksonville Riverfront | | | |
| Jacksonville, Florida | $ 100.54 | $ 73.46 | $ 72.10 |
| | $ 97.31 | $ 73.95 | $ 68.22 |
| DoubleTree by Hilton Laurel | | | |
| Laurel, Maryland | $ 86.77 | $ 60.86 | $ 70.89 |
| | $ 65.65 | $ 51.29 | $ 57.87 |
| DoubleTree by Hilton Philadelphia Airport | | | |
| Philadelphia, Pennsylvania | $ 131.01 | $ 129.71 | $ 116.81 |
| | $ 110.06 | $ 111.97 | $ 108.23 |
| DoubleTree by Hilton Raleigh Brownstone – University | | | |
| Raleigh, North Carolina | $ 102.86 | $ 104.03 | $ 96.05 |
| | $ 98.23 | $ 97.53 | $ 91.74 |
| The Georgian Terrace *† | | | |
| Atlanta, Georgia | $ 116.66 | $ 110.80 | $ 108.58 |
| | $ 114.70 | $ 110.44 | $ 109.23 |
| Hilton Savannah DeSoto † | | | |
| Savannah, Georgia | $ 129.52 | $ 141.46 | $ 133.07 |
| | $ 123.40 | $ 127.28 | $ 116.34 |
| Hilton Wilmington Riverside | | | |
| Wilmington, North Carolina | $ 131.56 | $ 118.76 | $ 124.98 |
| | $ 103.35 | $ 96.31 | $ 97.39 |
| Sheraton Louisville Riverside | | | |
| Jeffersonville, Indiana | $ 120.41 | $ 182.33 | $ 155.05 |
| | $ 96.30 | $ 135.91 | $ 116.55 |
| The Whitehall | | | |
| Houston, Texas | $ 73.17 | $ 106.09 | $ 113.87 |
| | $ 85.01 | $ 111.71 | $ 113.75 |
| All properties weighted average* | $ 109.16 | $ 110.01 | $ 105.67 |
| | $ 104.44 | $ 105.02 | $ 100.28 |

*Includes periods of non-ownership/partial ownership.
†Property undergoing renovation during the current quarter.

# SOTHERLY HOTELS INC.
# RECONCILIATION OF NET INCOME (LOSS) TO
# FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Hotel EBITDA
# (unaudited)

| | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Net income | $ 1,977,550 | $ 1,759,109 | $ 2,523,428 | $ 2,472,967 |
| Depreciation and amortization | 3,801,478 | 3,304,906 | 7,470,115 | 6,209,297 |
| Equity in depreciation and amortization of joint venture | — | 111,101 | — | 222,245 |
| Gain on involuntary conversion of asset | — | (37,833) | — | (37,833) |
| Loss on disposal of assets | 140,193 | — | 140,193 | — |
| FFO | $ 5,919,221 | $ 5,137,283 | $ 10,133,736 | $ 8,866,676 |
| Increase (decrease) in deferred income taxes | 479,854 | 905,258 | (7,615) | 408,804 |
| Loss on early debt extinguishment | 70,293 | 698,083 | 70,293 | 698,083 |
| Loan modification fees | 30,235 | — | 30,235 | — |
| Loss on hedging activities | 15,517 | — | 66,074 | — |
| Adjusted FFO | $ 6,515,120 | $ 6,740,624 | $ 10,292,723 | $ 9,973,563 |
| Weighted average number of shares outstanding, basic and diluted | 14,949,651 | 10,768,730 | 14,871,281 | 10,682,743 |
| Weighted average number of non-controlling units | 1,778,140 | 2,283,794 | 1,850,136 | 2,416,573 |
| Weighted average number of shares and units outstanding, basic and diluted | 16,727,791 | 13,052,524 | 16,721,417 | 13,099,316 |
| FFO per share and unit | $ 0.35 | $ 0.39 | $ 0.61 | $ 0.68 |
| Adjusted FFO per share and unit | $ 0.39 | $ 0.52 | $ 0.62 | $ 0.76 |

| | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Net income | $ 1,977,550 | $ 1,759,109 | $ 2,523,428 | $ 2,472,967 |
| Interest expense | 4,613,165 | 3,840,435 | 9,245,797 | 7,614,970 |
| Interest income | (10,207) | (15,308) | (19,038) | (25,409) |
| Income tax provision | 512,827 | 955,535 | 76,747 | 516,760 |
| Depreciation and amortization | 3,801,478 | 3,304,906 | 7,470,115 | 6,209,297 |
| Equity in interest, depreciation and amortization of joint venture | — | 274,734 | 640,188 | 547,343 |
| Loss on early debt extinguishment | 70,293 | 698,083 | 70,293 | 698,083 |
| Loan modification fees | 30,235 | — | 30,235 | — |
| Loss on disposal of assets | 140,193 | — | 140,193 | — |
| Gain on involuntary conversion of asset | — | (37,833) | — | (37,833) |
| EBITDA and Adjusted EBITDA | 11,135,534 | 10,779,661 | 20,177,958 | 17,996,178 |
| Corporate general and administrative | 1,356,754 | 1,490,380 | 2,964,048 | 2,941,604 |
| Equity in Adjusted EBITDA of joint venture | — | (299,102) | (640,188) | (1,046,060) |
| Unrealized loss on hedging activities | 15,517 | — | 66,074 | — |
| Other fee income | — | (73,435) | - | (179,064) |
| Hotel EBITDA | $ 12,507,805 | $ 11,897,504 | $ 22,567,892 | $ 19,712,658 |

SOTHERLY HOTELS
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## Non-GAAP Financial Measures

The Company considers the non-GAAP measures of FFO (including FFO per share), EBITDA and hotel EBITDA to be key supplemental measures of the Company's performance and could be considered along with, not alternatives to, net income (loss) as a measure of the Company's performance. These measures do not represent cash generated from operating activities determined by generally accepted accounting principles ("GAAP") or amounts available for the Company's discretionary use and should not be considered alternative measures of net income, cash flows from operations or any other operating performance measure prescribed by GAAP.

### FFO

Industry analysts and investors use Funds from Operations ("FFO"), as a supplemental operating performance measure of an equity REIT. FFO is calculated in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). FFO, as defined by NAREIT, represents net income or loss determined in accordance with GAAP, excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after adjustment for any noncontrolling interest from unconsolidated partnerships and joint ventures. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by itself.

The Company considers FFO to be a useful measure of adjusted net income (loss) for reviewing comparative operating and financial performance because we believe FFO is most directly comparable to net income (loss), which remains the primary measure of performance, because by excluding gains or losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization, FFO assists in comparing the operating performance of a company's real estate between periods or as compared to different companies. Although FFO is intended to be a REIT industry standard, other companies may not calculate FFO in the same manner as we do, and investors should not assume that FFO as reported by us is comparable to FFO as reported by other REITs.

### EBITDA

The Company believes that excluding the effect of non-operating expenses and non-cash charges, and the portion of those items related to unconsolidated entities, all of which are also based on historical cost accounting and may be of limited significance in evaluating

current performance, can help eliminate the accounting effects of depreciation and financing decisions and facilitate comparisons of core operating profitability between periods and between REITs, even though EBITDA also does not represent an amount that accrued directly to shareholders.

**Hotel EBITDA**

The Company defines hotel EBITDA as net income or loss excluding: (1) interest expense, (2) interest income, (3) income tax provision or benefit, (4) equity in the income or loss of equity investees, (5) unrealized gains and losses on derivative instruments not included in other comprehensive income, (6) gains and losses on disposal of assets, (7) realized gains and losses on investments, (8) impairment of long-lived assets or investments, (9) loss on early debt extinguishment, (10) gains or losses on change in control, (11) corporate general and administrative expense, (12) depreciation and amortization, (13) gains and losses on involuntary conversions of assets, (14) loan modification fees and (15) other operating revenue not related to the Company's wholly-owned portfolio. We believe this provides a more complete understanding of the operating results over which the Company's wholly-owned hotels and its operators have direct control. We believe hotel EBITDA provides investors with supplemental information on the on-going operational performance of the Company's hotels and the effectiveness of third-party management companies operating the Company's business on a property-level basis. The Company's calculation of hotel EBITDA may be different from similar measures calculated by other REITs.

**Adjusted FFO and Adjusted EBITDA**

The Company presents adjusted FFO, including adjusted FFO per share and unit, and adjusted EBITDA, which adjusts for certain additional items including changes in deferred income taxes, any unrealized gain (loss) on its hedging instruments or warrant derivative, loan impairment losses, losses on early extinguishment of debt, aborted offering costs, franchise termination costs, loan modification fees, costs associated with the departure of executive officers, litigation settlement, over-assessed real estate taxes on appeal, change in control gains or losses and acquisition transaction costs. The Company excludes these items as it believes it allows for meaningful comparisons between periods and among other REITs and is more indicative of the on-going performance of its business and assets. The Company's calculation of adjusted FFO and adjusted EBITDA may be different from similar measures calculated by other REITs.

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